

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**  
**ENERGY DIVISION**

**Agenda ID 15833**  
**RESOLUTION E-4853**  
**August 10, 2017**

**R E S O L U T I O N**

Resolution E-4853. San Diego Gas & Electric requests approval to offer Line Item Billing Service for a Home Protection Plan Service, on a non-tariffed basis.

**PROPOSED OUTCOME:**

- This Resolution approves San Diego Gas & Electric Company's (SDG&E's) Advice Letter 2990-E/2525-G, which proposes to offer Line Item Billing Service to its electric and gas customers, for an optional Home Protection Plan Service provided directly by a third-party home protection plan company ("Vendor") on a non-tariffed basis.

**SAFETY CONSIDERATIONS:**

- SDG&E's proposed Line Item Billing for the third-party Vendor's Home Protection Plan Service provides safety benefits to customers.

**ESTIMATED COST:**

- No net cost to ratepayers. SDG&E estimates \$100,000/year of net revenue from the Line Item Billing Service.

By SDG&E Advice Letter 2990-E/2525-G, filed on October 27, 2016.

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**SUMMARY**

In Advice Letter (AL) 2990-E/2525-G ("Line Item Billing AL"), San Diego Gas & Electric Company (SDG&E) requests approval to offer Line Item Billing Service to its electric and gas customers, for an optional Home Protection Plan Service provided directly by a third-party home protection plan company ("Vendor Service" and "Vendor" respectively), on a non-tariffed basis.

This Resolution approves SDG&E's request subject to the conditions specified herein. These conditions are designed primarily to protect utility ratepayers from cross-subsidizing this service and to ensure they have no exposure to any liability resulting from the provision of this service. The conditions are similar to ones created for a non-tariffed service pursued by Southern California Gas Company (SoCal Gas) and SDG&E in Resolution G-3456, issued on October 10, 2011.

Specifically, SDG&E shall follow the guidelines below when offering the Line Item Billing Service to its customers:

1. Any utility net cost or loss resulting from the Line Item Billing Service shall be borne by SDG&E's shareholders.
2. All liability for the Line Item Billing Service shall be borne by the Vendor. Ratepayers shall have no liability as a result of the Line Item Billing Service and Vendor Service.
3. The script followed by the Customer Contact Center (CCC) representatives, as well as the script followed by the Vendor, must make it clear that the Line Item Billing Service and the Vendor Service are unrelated to the utility's business with the customer and that the customer does not have to entertain the offerings of the Vendor Service.
4. The script(s) to be used by the CCC Representatives and the Vendor shall be reviewed and approved by the Energy Division before the Line Item Service is offered. Further, SDG&E shall inform Energy Division, in writing, within seven business days of any changes made in either script.
5. SDG&E shall comply with all requirements for the non-tariffed products and services including reporting to ED and complaint procedures and remedies as outlined in the Affiliate Transaction Rules adopted in D.06-12-029.

## **BACKGROUND**

**The Affiliate Transaction Rules (ATRs) are designed to prevent cross-subsidization of utilities' affiliate activities by utility ratepayers and to**

**minimize harm to the competitive marketplace from the utility's monopoly status and market power.**

The Commission passed the ATRs Applicable to Large California Energy Utilities in Decision (D.)97-12-088. Subsequent Decisions (D.98-08-035, D.98-11-027, D.98-12-075, D.99-04-069, D.99-09-033, and most recently D.06-12-029) modified these Rules. According to the ATR, Section II.C.1., no holding company or utility affiliate shall knowingly "direct or cause a utility to violate or circumvent these Rules, including but not limited to the prohibitions against the utility providing preferential treatment, unfair competitive advantages or non-public information to its affiliates."

Pursuant to the ATRs, Section VII.E.1, prior to offering a new category of non-tariffed products or services, a utility is required to file an advice letter which:

- a. demonstrates compliance with the affiliate transaction rules;
- b. addresses the amount of utility assets dedicated to the non-utility venture, in order to ensure that a given product or service does not threaten the provision of utility service, and show that the new product or service will not result in a degradation of cost, quality, or reliability of tariffed goods and services;
- c. addresses the potential impact of the new product or service on competition in the relevant market, including but not limited to the degree in which the relevant market is already competitive in nature and the degree to which the new category of products or services is projected to affect that market and; and
- d. is served on the service list of Rulemaking 97-04-011/Investigation 97-04-012, as well as on any other party appropriately designated by the rules governing the Commission's advice letter process.

SDG&E filed the Line Item Billing AL proposing to offer its electric and gas customers an option to pay via their monthly SDG&E bill for the Home Protection Plan Service, provided by a third-party Vendor and approved by SDG&E. Currently, SDG&E does not have Commission approval of such a category.

## **NOTICE**

Notice of the Line Item Billing AL was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

## **PROTESTS**

The Line Item Billing AL was protested.

SDG&E's Line Item Billing AL was timely protested by the Office of Ratepayer Advocates (ORA) on November 16, 2016.

The following is a summary of the major issues raised in ORA's protest:

1. SDG&E's proposal may cost ratepayers up to \$200,000/year in unnecessary and unreasonable administrative costs, which should be borne by SDG&E's shareholders.
2. SDG&E did not demonstrate how its customers will benefit from this non-tariffed service.
3. Based on SDG&E's analysis, the anti-competitive effects of the proposed non-tariffed service remain uncertain.

SDG&E replied to the ORA protest on November 22, 2017. The following is a summary of SDG&E's reply:

1. SDG&E's proposed cost and revenue allocation is appropriate and consistent with similar Commission-approved programs.
2. The Line Item Billing AL sufficiently described the expected customer benefits.
3. The Line Item Billing AL sufficiently assuages anti-competitive concerns.

SDG&E provided additional details of the proposed Service that addressed ORA's concerns:

1. Any disputes between the Vendor and a participating SDG&E customer will likely be governed by the contract between the Vendor and the

customer, which SDG&E will not be the party. SDG&E will provide support as necessary and appropriate. Furthermore, non-payment of Vendor charges will not be cause for shut-off of utility electric or gas services to any SDG&E customer.<sup>1</sup>

2. SDG&E will ensure that the Vendor provides the required level of service to customers as outlined in the Line Item Billing AL.<sup>2</sup>
3. SDG&E will have final review of the Vendor's marketing materials.

## **DISCUSSION**

Energy Division has reviewed and analyzed the Line Item Billing AL, ORA's protest, and SDG&E's reply to the protest. Energy Division also issued data requests to SDG&E seeking further information regarding SDG&E's proposal and associated cost and revenue estimates. SDG&E timely responded to all of ED's data requests.

**SDG&E's AL requesting authorization to offer a Line Item Billing Service on a non-tariffed basis has appropriately addressed the concerns raised in Resolution E-4709, which rejected SDG&E's AL 2644-E/2321-G.**

In AL 2644-E/2321-G, SDG&E requested authorization to offer Line Item Billing Service for non-tariffed products and services provided by non-utility providers. Resolution E-4709 denied AL 2644-E/2321-G because SDG&E's proposed Line Item Billing Service for non-tariffed products and services was too broad and too vague. Resolution E-4709 found, "(w)ith no limits in place on the type of products or services to be offered, approving this advice letter would provide no safeguards to limit the categories that could be placed on a line item basis on the customer bill. We are concerned that there would be a deluge of products and services appearing on customers' utility bills."<sup>3</sup>

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<sup>1</sup> SDG&E's Reply to ORA protest at 6.

<sup>2</sup> The Line Item Billing AL at 2.

<sup>3</sup> Resolution E-4709 at 6.

In contrast, in the instant AL, SDG&E requests authority to offer Line Item Billing Service specifically for the Home Protection Plan Service provided directly by a third-party vendor. Therefore, this AL has addressed one of the main concerns set forth in Resolution 4709-E.

**The proposed Line Item Billing Service does not result in cost subsidization of the non-tariffed product and service from SDG&E's ratepayers. SDG&E ratepayers will have no liability from the provision of this service.**

As discussed above, the Commission's ATRs are designed to prevent cross-subsidization of utilities' affiliate activities by utility ratepayers. According to SDG&E, the Vendor will pay a fee for the Line Item Billing Service which will generate approximately \$300,000/year of miscellaneous revenues. These revenues will offset the \$200,000/year of program management costs and associated taxes. SDG&E estimates that this service would result in annual net revenue of \$100,000. SDG&E also estimates an upfront billing deployment cost of \$100,000, which is expected to be reimbursed by the Vendor.

ORA's protest argues that the service has estimated annual costs of \$200,000 and may result in unnecessary costs to the ratepayers. We agree with SDG&E's reply that ORA's assertion did not reflect the offsetting revenues from the Line Item Billing Service fees. We recognize that the net revenue is based on SDG&E's forecast of customer participation rates over a five-year period which is only an estimate. To prevent cost-subsidization from its ratepayers, SDG&E in its reply to ORA's protest agreed that, "in the extremely unlikely situation where the costs of providing the non-tariffed service exceed the associated revenues, any resulting loss should not be borne by ratepayers and should instead be borne by shareholders."<sup>4</sup> SDG&E's position is consistent with the ATRs, Section VII. Based on SDG&E's agreement that when the costs of providing the non-tariffed service exceed the associated revenues, any resulting loss will be borne by ratepayer, we conclude that the service will not result in any net cost to ratepayers.

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<sup>4</sup> SDG&E's Reply to ORA's Protest dated on November 22, 2017 at 5-6.

In addition, all liability for this Service will be borne by the Vendor. Ratepayers shall have no liability of this Service.

**The proposed Line Item Billing Service for the Vendor's Home Protection Plan Service can provide additional home safety benefits for SDG&E's customers.**

ORA argued in its protest that the Line Item Billing AL has not provided evidence that "the safety benefits derived from the utility providing the proposed Line Item Billing Service," a remedy required by Resolution E-4709.<sup>5</sup>

SDG&E states that its proposed Line Item Billing for the Vendor Service provides safety benefits to customers because it provides customers with 24/7 access to the trained and licensed repair professionals who can address home safety issues related to the electrical and gas appliances and systems. The convenience of the Line Item Billing Service can make it easier for customers to sign up for the Vendor Service which will have safety benefits.

We agree with SDG&E that making it easier for customers to sign up for the service can have the benefit of safety issues addressed more promptly by professional contractors through the Vendor Service. As SDG&E explains, the service provided by the Vendor can promote customer safety because "armed with this insurance, customers will likely engage the Vendor Services' trained and licensed repair and replacement professionals to fix potentially dangerous problems (i.e., electrical wiring hazards, the loss of gas due to piking leaks) as they arise, rather than attempting to-it-yourself repairs, or avoiding repair altogether because of lack of funds."

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<sup>5</sup> Resolution E-4709-E at 7.

**The proposed Line Item Billing AL has addressed the potential impact of the Line Item Billing service by SDG&E as proposed in this advice letter will not have adverse impact on competitive market.**

The ATRs, Section VII.E.1.c requires the utility to address the impact of a non-tariffed product or service on the relevant market. ORA states in its protest that SDG&E has provided insufficient analysis demonstrating the anticompetitive effects of its proposal. SDG&E responded that the advice letter has identified that two relevant markets for the home protection services are already competitive and its proposal would not affect either market: home protection services and the local contractors and repairmen. SDG&E explained that the home protection services market is estimated to be a \$2 billion national industry annually, with a 4% growth per year.

We agree with SDG&E that its service territory is composed of several established, national firms. The Vendor would not be unfairly commercially advantaged through its partnership with SDG&E because SDG&E will not provide the Vendor with SDG&E customer specific information. In addition, SDG&E describes that the Vendor's direct marketing materials will clearly convey in their script that, "participation in the Service is optional and that the Service is provided directly by the Vendor and not by SDG&E." In addition, the Vendor was selected through SDG&E's competitive solicitation process. SDG&E received bids from other home protection services providers in SDG&E's service territory.

Based on the above, we find that SDG&E's provision of line item billing service will not result in any adverse competitive impacts in the relevant market.

**SDG&E's CCC call script and the Vendor's marketing material must make it clear that the Home Protection Plan Service is unrelated to SDG&E's regular business with the customer and that the customer does not have to entertain the offerings of the Vendor service.**

SDG&E indicated in its response to ED's data request that its customers will be solicited for the Vendor Service by the Vendor direct mail, and will not be offered by its Customer Contact Center (CCC) representatives. However, should



any SDG&E customers call its CCC; the representative will be trained to direct the inquiring customers to the Vendor. We found that it is important that SDG&E's script for the CCC representative contains certain safeguards and that the Vendor marketing material is consistent with the CCC script.

To ensure these conditions are met we require the script(s) to be used by SDG&E's CCC and the Vendor to be reviewed by ED before the Service is offered. SDG&E shall inform ED, in writing and within seven business days after any changes made in either script. This requirement is consistent with Resolution G-3456 which approved SoCal Gas & SDG&E's Mover Service Program as a non-tariffed product and service with Line Item Billing Service.

## **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

## **FINDINGS**

1. San Diego Gas & Electric Company's Advice Letter 2990-E/2525-G requesting authorization to offer a Line Item Billing Service for a Home Protection Plan Service provided directly by a third-party vendor, on a non-tariffed basis has addressed the concerns raised in Resolution E-4709, which rejected SDG&E's A.L. 2644-E/2321-G.
2. San Diego Gas & Electric Company's (SDG&E's) proposed Line Item Billing Service does not result in cost subsidization of the non-tariffed product and service from SDG&E's ratepayers.
3. San Diego Gas & Electric Company's (SDG&E's) proposed Lime Item Billing Service provides additional home safety benefits for SDG&E's customers.

4. San Diego Gas & Electric Company's A.L. 2990-E/2525-G has addressed the potential impact of the new product or service on competition in the relevant market as required by the Affiliate Transaction Rules, Section VII.C.

**THEREFORE IT IS ORDERED THAT:**

1. San Diego Gas & Electric Company's request to offer a Line Item Billing Service to its electric and gas customers, for an optional Home Protection Plan Service provided directly by a third-party home protection plan company, on a non-tariffed basis, as proposed in Advice Letter 2990-E/2525-G, is approved.
2. Consistent with Resolution G-3456, San Diego Gas & Electric Company (SDG&E) shall follow the guidelines below when offering the Line Item Billing Service to its electric and gas customer for an optional Home Protection Plan Service provided directly by a third-party home protection plan company ("Vendor Service" and "Vendor" respectively):
  - a) Any utility net cost or loss resulting from the Line Item Billing Service shall be borne by SDG&E's shareholders.
  - b) All liability for the Line Item Billing Service shall be borne by the Vendor. Ratepayers shall not have any liability of the Line Item Billing Service and the Vendor Service.
  - c) The script followed by the Customer Contact Center (CCC), representatives as well as the script followed by the Vendor, must make it clear that the Line Item Billing Service and the Vendor Service are unrelated to the utility's business with the customer and that the customer does not have to entertain the offerings of the Vendor Service.
  - d) The script(s) to be used by the CCC representatives and the Vendor shall be reviewed and approved by the Energy Division before the Line Item Service is offered. Further, SDG&E shall inform Energy Division, in writing, within seven business days after any changes made in either script.
  - e) SDG&E shall comply with all requirements for the non-tariffed products and services including reporting to ED and complaint procedures and remedies as outlined in the Affiliate Transaction Rules adopted in D.06-12-029.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on August 10, 2017; the following Commissioners voting favorably thereon:

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TIMOTHY J. SULLIVAN  
Executive Director